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SUBJECT: GAS CRISIS: RADA WEIGHS IN

Classified By: Ambassador William Taylor for reasons 1.4 (b,d).

SUMMARY  
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11. (C) On January 13 the Rada created an investigative commission to examine the causes of Ukraine's gas dispute with Russia. The commission, led by Party of Regions, is likely to investigate allegations linking President Yushchenko to corruption in the energy sphere. Rada contacts accused the President of involvement with shady gas intermediary RosUkrEnergo and scuttling a last minute gas deal with Russia prior to the cutoff. They said the Party of Regions' call for ousting the Tymoshenko government over its handling of the gas crisis has little support in the Rada. Pro-Yushchenko MPs stress the need for unity with the Tymoshenko-led government in the face of Russian pressure. The gas shutoff is exacerbating divisions within Party of Regions and preventing the party from presenting an alternative to the government's actions. Presidential Chief of Staff Viktor Baloha predicted that the crisis would unite political forces against Russia if it continued for another two weeks. Baloha's deputy dismissed the investigative commission as a stunt. End Summary.

RADA INVESTIGATORY COMMITTEE CREATED  
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12. (U) The Rada voted 222 to 13 on January 13 to establish an 11 member temporary commission to investigate the contract negotiations and eventual cutoff of Russian natural gas to Ukraine. (Only 150 votes are needed to create a temporary commission.) The vote received almost unanimous support from The Party of Regions, Communist Party and Lytvyn Bloc, and will be led by Regions MP Inna Bogoslovska. All but two MPs from the Tymoshenko Bloc (BYuT) and all Our Ukraine-People's Self Defense bloc (OU-PSD) abstained or voted against setting up the commission. Bogoslovska said that the commission's initial goal will be to help restore gas flow to Ukraine and then to determine responsibility for the gas shutoff.

13. (C) Presidential Deputy Chief of Staff Roman Bezsmertniy, meeting with the Ambassador January 15, dismissed the commission as "a toy army." Past commissions amounted to little more than vehicles of self-aggrandizement for their chairmen. He recalled the recent commission examining the GOU's transfer of arms to Georgia. That commission was a publicity stunt prompted by the FSB's leakage of some documents to its agent, Regions MP Konovalyuk. "They thought they could start a revolution," Bezsmertniy remarked, mockingly.

ROSUKRENERGO  
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14. (C) Regions MP Nestor Shufrych told us that the temporary commission's investigation is aimed at President Yushchenko. Shufrych claimed that Yushchenko's intervention in the gas negotiations on the morning of December 31 scuttled a deal

that had gas priced at 235 USD per thousand cubic meters. Tymoshenko was supposed to sign it in Moscow later that day. Shufrych claimed that Yushchenko's last minute insistence that Russia retain RosUkrEnergo (RUE) as a gas intermediary threw the negotiations into confusion and the deal with Gazprom fell through.

15. (C) Rada contacts across the political spectrum have echoed Shufrych's claims of Yushchenko's willingness to intervene for RUE's benefit - or to deny Tymoshenko a political victory. Communist Party leader Petro Symonenko, in a speech prior to the vote on the creation of the investigative commission, repeated an often-heard accusation that Yushchenko's brother Petro, himself an OU-PSD MP, has ownership interests in RUE. Yushchenko publicly denied allegations that he intervened in gas talks or that he has any ties to RUE and has threatened to bring libel suits against his accusers.

#### INSUFFICIENT SUPPORT FOR VOTE OF NO CONFIDENCE

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16. (C) Regions party head and former Prime Minister Viktor Yanukovych called for a vote of no confidence in Prime Minister Yuliya Tymoshenko's government over her handling of gas negotiations. Despite a motion for a vote being registered in parliament on January 12, Regions contacts tell us that a no confidence vote is unlikely to succeed. A unified Regions would need the backing of the Communist Party and at least twenty-four Our Ukraine-People's Self Defense MPs.

17. (C) Regions Deputy Faction head Volodymyr Makeienko told us that Regions is not seriously pursuing a vote to remove Tymoshenko and that everything done by the parties should be viewed through the prism of this year's presidential election. He said that the Communist Party has told Regions that it will not support a no confidence vote and that Regions could expect a handful of its own deputies to defect as well. Shufrych told us that Regions knows that Tymoshenko would win a no confidence vote and that there is no internal party effort to line up deputies for a vote. He said that Yanukovych could still push for a vote knowing that Regions would lose, in order to show that he did all he could in his efforts to thwart Tymoshenko.

18. (C) Pro-Yushchenko OU-PSD MPs told us that they would not vote with Regions to bring down the Tymoshenko government. MP Kseniya Lyapina said that the Rada needs to present a united front to Russia during the gas negotiations and that pro-presidential MPs would not vote to oust the Tymoshenko government over the gas crisis. MP Lyly Grygorovych told us that a vote of no confidence is just a political game being played by Yanukovych that will fail. She also reiterated Yushchenko's public statement that pro-presidential MPs need to work with the Tymoshenko government and show a united front to Russia in order to resolve the gas crisis.

#### PARTY OF REGIONS DIVIDED ON GAS

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19. (C) Regions' conspicuous silence the week following the Russian gas cutoff and limited recent criticism are a result of internal party splits over how to handle the gas crisis, according to maverick Regions faction MP Taras Chornovil. He told us (as have others) that the gas crisis had further widened divisions on two levels between the Dmitri Firtash/RUE group (which includes MPs Yuriy Boyko, Serhiy Lyvochkin, and Hanna Herman) and the group led by oligarch Rinat Akhmetov. First, the Firtash group opposes any efforts to remove RUE as an intermediary in the gas trade with Russia. The Akhmetov group and other industrialists receive no benefits from RUE and see it as an obstacle to a long-term gas contract for Ukraine with Gazprom. Second, RUE's exclusion from the Russian-Ukrainian gas trade would be a serious blow to its ability to financially compete for

control of Regions with the Akhmetov group. Chornovil emphasized that because of these internal rifts, Regions' criticism has focused on general charges of government incompetence and unprofessionalism without providing specifics on the gas crisis.

¶10. (C) These divisions were much in evidence January 14 when Regions Deputy Shufrych (reputed to be Tymoshenko's paramour) publicly attacked his fellow Regions MP Boiko over Boiko's comments that Tymoshenko was the one at fault for scuttling the gas deal with Russia. Boiko claimed (as do others) that Tymoshenko seeks to create a gas intermediary headed by former Kuchma Chief of Staff Viktor Medvedchuk to replace RUE. Shufrych dismissed it all as a deliberate lie.

BALOHA WEIGHS IN  
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¶11. (C) In a January 13 meeting, Presidential Chief of Staff Viktor Baloha told the Ambassador that Ukraine would unite in opposition to Russia if the crisis continued for two more weeks. He said that Russia was challenging Ukraine's sovereignty, and any president would have the same problems with Russia that Yushchenko is having. Baloha stressed that Ukraine must be united in the face of continued Russian pressure, and he refrained from his usual vitriolic attacks on Tymoshenko and her government, saying he would reserve his comments on domestic politics for another time.

COMMENT  
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¶12. (C) Rada sessions thus far have largely avoided nationalist rhetoric. There is little sign as yet in the Rada of the broad-based opposition to Russia that Baloha foresees. Regions leaders continue to focus their criticism on Yushchenko and Tymoshenko. While Yushchenko lacks the political capital to unite the country, former Orange coalition forces seem to be coming together, temporarily at least, behind Tymoshenko.

TAYLOR